

AUDITED FINANCIAL STATEMENTS
AND OTHER FINANCIAL INFORMATION

TOWNSHIP OF BESSEMER - RAMSAY, MI
(Gogebic)
March 31, 2004

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Bessemer Township	County Gogebic
Audit Date 3/31/2004	Opinion Date 7/21/2004	Date Accountant Report Submitted to State: 9/20/2004	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.


We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

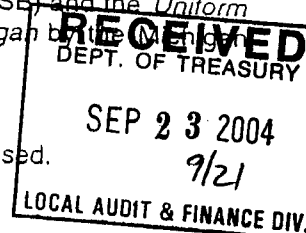
You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ yes ☐ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	x		
Reports on individual federal financial assistance programs (program audits).			x
Single Audit Reports (ASLGU).			x

Certified Public Accountant (Firm Name) Roger J. Kolehmainen PC			
Street Address 1445 East Cloverland Drive		City Ironwood,	State MI
Accountant Signature 		ZIP 49938	



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Roger J. Kolehmainen CPA PC
1445 East Cloverland Drive
Ironwood, MI 49938

INDEPENDENT AUDITOR'S REPORT


Supervisor and Members of the Board
Township of Bessemer
Ramsay, Michigan

We have audited the accompanying general purpose financial statements of Township of Bessemer and its combining and individual fund financial statements as of and for the year ended March 31, 2004, and the combining financial statements of the enterprise funds as of and for the year ended March 31, 2004, as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted the audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that the audit provides a reasonable basis in our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Township of Bessemer as of March 31, 2004, and the results of its operations and its cash flows of its proprietary fund type for the year then ended in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the combining and individual funds financial statements of the enterprise funds as of and for the year ended March 31, 2003, present fairly, in all material respects, and financial statements of the enterprise funds and their results of operations and cash flow for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Governmental Auditing Standards*, we have also issued our report dated July 21, 2004, on our consideration of Township of Bessemer's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.



Roger J. Kolehmainen PC
Certified Public Accountant

Ironwood, Michigan
July 21, 2004

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GENERAL
PURPOSE
FINANCIAL
STATEMENTS

TOWNSHIP OF
COMBINED BALANCE SHEET
March 31,

	<u>Government Fund Types</u>		<u>Proprietary Fund Types</u>
	<u>General Fund</u>	<u>Park Fund</u>	<u>Enterprise Funds</u>
ASSETS			
Current Assets:			
Cash and cash equivalents	\$204,219	\$67,743	\$85,308
Certificates of deposits	161,710		18,181
Accounts receivable-net	61,688		167,647
Delinquent taxes receivable	28,332		
Due from other funds	17,893		89,060
Accrued interest income	169		36
Prepaid expenses	3,610		
Supplies inventory (at cost)	5,092		9,974
Total Current Assets	<u>\$482,713</u>	<u>\$67,743</u>	<u>\$370,206</u>
Fixed Assets:			
Land			\$5,001
Equipment			69,623
Utility plant/buildings			1,819,914
Accumulated depreciation			(827,008)
Work in process			
Other Assets:			
Restricted cash	84,260		82,129
Amount to be provided for retirement of general long-term debt			
TOTAL ASSETS	<u>\$566,973</u>	<u>\$67,743</u>	<u>\$1,519,865</u>
LIABILITIES AND MUNICIPAL EQUITY			
Current Liabilities:			
Accounts payable	\$24,101		\$93,834
Accrued wages/taxes	10,092		1,478
Contractor payable	35,709		
Accrued interest payable			5,991
Current portion of long term debt			2,500
Total Current Liabilities	<u>\$69,902</u>	<u>\$</u>	<u>\$103,803</u>

The accompanying notes are an integral part of the financial statements.

BESSEMER
ALL FUNDS TYPES
2004

<u>Fiduciary Fund Types</u>	<u>Account Groups</u>		
	<u>T&A and Tax Funds</u>	<u>General Fixed Assets</u>	<u>General Long-Term Debt</u>
	\$84,085	-	-
			\$441,355
			179,891
			229,335
			28,332
			106,953
			205
			3,610
			15,066
	\$84,085	\$	\$
			\$1,004,747
		\$12,928	\$17,929
		558,107	627,730
		430,799	2,250,713
			(827,008)
			166,389
			\$15,209
			15,209
	\$84,085	\$1,001,834	\$15,209
			\$3,255,709
	\$81,639		\$199,574
			11,570
			35,709
			5,991
			2,500
	\$81,639	\$	\$
			\$255,344

TOWNSHIP OF
COMBINED BALANCE SHEET
March 31,

	<u>Government Fund Types</u>		<u>Proprietary Fund Type</u>
	<u>General Fund</u>	<u>Park Fund</u>	<u>Enterprise Funds</u>
Other Liabilities:			
Due to other funds	\$	\$	\$104,507
Long Term Debt	-	-	398,500
Bonds Payable			(2,500)
Less Current Portion			500,507
Total Other Liabilities			\$604,310
TOTAL LIABILITIES	\$69,902	\$	
MUNICIPAL EQUITY			
Contributed Capital:			
Investment in general fixed assets			1,143,722
From state and federal government			(538,617)
Accumulated amortize			605,105
Total Contributed Capital			
Retained earnings:			
Unreserved			310,450
Fund Balances:			
Unreserved	412,811	67,743	
Reserved:			
Equipment replacement	83,152		
Building inspections	1,108		
TOTAL LIABILITY & EQUITY	\$566,973	\$67,743	\$1,519,865

The accompanying notes are an integral part of the financial statements.

BESSEMER
ALL FUNDS TYPES
2004

<u>Fiduciary Fund Types</u> Account Groups		<u>Account Groups</u>		
T&A and Tax <u>Fund</u>		General Fixed <u>Assets</u>	General Long-Term <u>Debt</u>	Totals (Memorandum <u>Only</u>)
\$2,446	- \$ -	\$	15,209	\$106,953
				15,209
				398,500
				(2,500)
2,446			15,209	518,162
\$84,085	\$		\$15,209	\$773,506
		\$1,001,834		\$1,001,834
				1,143,722
				(538,617)
				1,606,939
				310,450
				480,554
				83,152
				1,108
\$84,085		\$1,001,834	\$15,209	\$3,255,709

The accompanying notes are an integral part of the financial statements.

TOWNSHIP OF BESSEMER
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
ALL GOVERNMENT FUND TYPES
Year Ended MARCH 31, 2004

	General Fund	Park Fund	Building Permits	Totals (Memorandum Only)
REVENUES				
Taxes	\$248,662	\$	\$	\$248,662
Other taxes	5,126			5,126
Tax administrative fees	19,146			19,146
Licenses and permits			2,936	2,936
Rentals		25		25
Federal shared revenues	108,787			108,787
State shared revenues	113,275			113,275
Charges for services	42,825			42,825
Interest	5,188	428		5,616
Sale of assets	1,924			1,924
Other revenue	10,611			10,611
TOTAL REVENUES	\$555,544	\$453	\$2,936	\$558,933
EXPENDITURES				
Legislative	\$80,921	\$	\$	\$80,921
General government	148,808			148,808
Public safety	29,498		3,610	33,108
Public works	96,756			96,756
Recreation and culture	142,194	6,781		148,975
Community development	12,511			12,511
Other	29,583			29,583
TOTAL EXPENDITURES	\$540,271	\$6,781	\$3,610	\$550,662
EXCESS OF REVENUES (EXPENDITURES)	\$15,273	(\$6,328)	(\$674)	\$8,271
OTHER FINANCING SOURCES (USES)				
Transfer from other funds	\$	\$	\$674	\$674
Transfers to other funds	(674)			(674)
EXCESS OF REVENUES (EXPENDITURES) AND OTHER FINANCING SOURCES	\$14,599	(\$6,328)	\$	\$8,271
Fund balance at 3/31/2003	482,472	74,071		556,543
FUND BALANCE 3/31/2004	\$497,071	\$67,743	\$ 0	\$564,814

The accompanying notes are an integral part of the financial statements

TOWNSHIP OF
STATEMENT OF
AND CHANGES IN FUND BALANCE
ALL GOVERNMENTAL
Year ended

	General Fund			Park Fund		
	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES						
Taxes	\$227,609	\$248,662	\$21,053	\$	\$	\$
Other taxes	32,050	5,126	(26,924)			
Tax administrative fees	22,000	19,146	(2,854)			
Licenses and permits					25	25
Rentals		108,787	108,787			
Federal shared revenues	117,500	113,275	(4,225)			
State shared revenues	40,000	42,825	2,825			
Charges for services	6,000	5,188	(812)		428	428
Interest		1,924	1,924			
Sale of assets	6,500	10,611	4,111			
Other revenue	\$451,659	\$555,544	\$103,885	\$	\$453	\$453
EXPENDITURES						
Legislative	\$88,000	\$80,921	\$7,079	\$	\$	\$
General government	209,970	148,808	61,162			
Public safety	32,250	29,498	2,752			
Public works	214,150	96,756	117,394			
Recreation and culture	28,700	142,194	(113,494)		6,781	(6,781)
Community development	13,100	12,511	589			
Other	30,500	29,583	917			
	\$616,670	\$540,271	\$76,399	\$	\$6,781	(\$6,781)
EXCESS OF REVENUES (EXPENDITURES)	(165,011)	15,273	180,284		(6,328)	(6,328)
OTHER FINANCING SOURCES (USES)						
Transfers to/from other funds		(674)	(674)			
	(\$165,011)	\$14,599	\$179,610	\$	(\$6,328)	(\$6,328)
EXCESS OF REVENUES EXPENDITURES) AND OTHER FINANCING USES						
Fund Balance at 3/31/2003	482,472	482,472		74,060	74,060	
FUND BALANCE MARCH 31, 2004	\$317,461	\$497,071	\$179,610	\$74,060	\$67,732	(\$6,328)

The accompanying notes are an integral part of the financial statements

BESSEMER
REVENUES, EXPENDITURES
AND COMPARISON WITH BUDGET
FUND TYPES
March 31, 2004

Building Permits

<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
\$	\$	\$
2,500	2,936	436
<hr/>		
\$2,500	\$2,936	\$436
\$	\$	\$
3,500	3,610	(110)
<hr/>		
\$3,500	\$3,610	(\$110)
(1,000)	(674)	326
<hr/>		
	674	674
<hr/>		
(\$1,000)	\$	\$1,000
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(\$1,000)	\$	\$1,000
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STATEMENT OF INCOME AND CHANGES IN
RETAINED-EARNINGS (DEFICIT) - PROPRIETARY FUNDS TYPE
TOWNSHIP OF BESSEMER
Year ended March 31, 2004

	Enterprise	Funds
Operating revenues:		
Charges for services		\$262,561
Other revenues		27,220
Total Operating Revenues		<u>\$289,781</u>
Operating expenses:		
Wages and taxes	\$35,157	
Water purchased/contract cost	107,636	
Provision for depreciation	45,158	
Operating supplies/maintenance	42,751	
Utilities	11,023	
Insurance	190	
Total Operating Expenses		241,915
Administrative expenses:		
Wages and taxes	\$6,750	
Contract cost	2,268	
Office supplies	1,170	
Transportation	1,940	
Publications/dues	917	
Training	728	
Miscellaneous	2,158	
Contributions-GRWA	49,328	
Total Administrative Expenses		65,259
Operating income (loss)		(\$17,393)
Non-operating revenues (expenses)		
Interest income		1,537
Debt service/tap in fees		16,954
Customer's deposits forgiven		26,538
Bond interest expense		(17,962)
Net Income (loss)		\$9,674
Provision for depreciation included in operating expenses by external restricted grants		28,593
Retained Earnings March 31, 2003		<u>246,314</u>
Prior Period Adjustment		25,869
RETAINED EARNINGS – MARCH 31, 2004		<u><u>\$310,450</u></u>

The accompanying notes are an integral part of the financial statements.

. STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS TYPE
 TOWNSHIP OF BESSEMER
 Year ended March 31, 2004

Enterprise Funds

Cash flows from operating activities:

Income from operations	(\$17,393)
Adjustments to reconcile income from operations to net cash Provided by operating activities:	
Depreciation	\$45,158
(Increase) decrease in:	
Accounts receivable	(96,685)
Due from other funds	(33,456)
Inventory	(576)
Accrued interest income	(29)
Prepaid expenses	84
Increase (decrease) in:	
Accounts payable	78,230
Contractors payable	(72,011)
Accrued payroll/taxes	348
Due to other funds	34,959
Accrued interest payable	(26)

Total adjustments	(\$44,004)
Net Cash Provided by Operating Activities	(\$61,397)

Cash flows from capital and related Financing activities:

Capital additions	(340)
Bond and debt retirement proceeds	16,954
Revenue bonds principal paid	(2,500)
Bond interest paid	(17,962)

Net cash provided (used) for capital and related financing activities	(\$3,848)
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Cash flows from investment activities:

Interest income	1,537
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Net increase (decrease) in cash and cash equivalents	(\$63,708)
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Cash and Cash Equivalents, March 31, 2003	249,328
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Cash and Cash Equivalents, March 31, 2004	\$185,620
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The accompanying notes are an integral part of the financial statements.

TOWNSHIP OF BESSEMER
NOTES TO FINANCIAL STATEMENTS
March 31, 2004

NOTE A - STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The Township of Bessemer was organized in the late 1800's under the Northwest Ordinance of 1787. It operates with an elected board of trustees, which includes a supervisor, clerk and treasurer. The Township provides to its residents, services in many areas including public safety, highways and streets, sanitation, culture and recreation, planning and zoning, and general administrative services. The financial statements of the Township have been prepared in conformity with generally accepted accounting principles as applied to governmental units. The Governmental Accounting Standards Board is the accepted standard-setting body for establishing governmental accounting and financial-reporting principles. In conformity with generally accepted accounting principles, other autonomously operated governmental organizations are not considered to be part of the Township financial reporting entity. The criteria established for determining the various governmental organizations to be included as component in the Township's financial statements include oversight responsibility, scope of public service, and special financing relationships.

On this basis, the financial statements of the local school district, regional solid waste disposal authority are not included as a component unit in the financial statements of the Township. Educational services are provided to citizens through the local school district, which is a separate governmental entity. A solid waste disposal system provides services to citizens through a regional authority. The financial statements of the Township do not include the separate authorities, which operate autonomously under an intergovernmental service agreement. The Township entered into a contract with this authority and has pledged is limited tax full faith and credit for the payment of the Township's share of this authority's obligation bond.

Basis of Presentation - Fund Accounting

The accounts of the Township are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise of assets, liabilities, fund equity, revenues and expenditures, or expenses, as appropriate. Resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, categorized and described as follows:

TOWNSHIP OF BESSEMER
NOTES TO FINANCIAL STATEMENTS
March 31, 2004

GOVERNMENTAL FUND TYPES

General Fund - is the general operating fund of the Township. This fund is used to account for all financial resources except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes and state and federal shared revenues.

Park and Building Permit Funds - is used by the Township to account for the proceeds of specific governmental revenues (other than special assessments and major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action. Township's building permit fee structure is not intended to recover the full cost of enforcement, any shortages are used to offset surpluses accumulated in prior years and are accounted for in the General Fund as restricted cash and designated Fund Balance. Therefore, no separate Balance Sheet is presented for the Building Permit Fund.

ACCOUNT GROUPS

General Fixed Assets Account Group - This is not a fund but rather an account group this is used to account for general fixed assets acquired principally for general purpose and excludes fixed assets of the Enterprise Funds. Infrastructure assets, including roads, bridges, sanitary sewers, drains, curbs, and gutters are not capitalized.

General Long-Term Debt Account Group - This is not a fund but an account group used to present the balance of the general obligation long-term debt, which is not recorded in Enterprise Funds.

PROPRIETARY FUNDS

Enterprise Funds - Enterprise Funds report operations that provide services, which are financed primarily by user charges, or activities where periodic measurement of net income is appropriate for capital maintenance, public policy, management control or other purposes. The funds are used to account for utility operations in a manner similar to private business enterprises. The intent of the Township is to recover operating expenses, including depreciation, through user charges.

FIDUCIARY FUND TYPE

Agency Funds - These funds are used to account for assets held by the Township in a trustee capacity or as an agent for other governments and/or other funds. They include the Tax Collection Fund and the Trust and Agency Fund. These funds are custodial in nature and do not involve measurement of results of operations. The Trust and Agency Fund was inactive for the year ended March 31, 2004.

TOWNSHIP OF BESSEMER
NOTES TO FINANCIAL STATEMENTS
March 31, 2004

Basis of Accounting and Measurement Focus

The basis of accounting determines when transactions and economic events are reflected in financial statements, and measurement focus identifies which transactions and events should be recorded.

Governmental Funds and the Agency Funds use the modified accrual basis of accounting. Under this method, revenues are recognized in the accounting period in which they become both available and measurable (flow of current financial resources measurement focus). Licenses and permits, charges for services and miscellaneous revenues are recorded as revenues when received in cash. General property taxes and investment earnings are recorded when earned or levied (when they are measurable and available). Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except expenditures for debt service and other long-term obligations, which are recognized when paid.

The Township has adopted the accrual basis of accounting for the Proprietary Fund. This basis of accounting and measurement focus emphasizes the measurement of net income similar to the approach used by commercial enterprises, and revenues are recorded when earned and expenses are recorded when incurred.

Scope of Reporting Entity

In accordance with the provisions of the Governmental Accounting Board's Statement No. 14 "The Financial Reporting Entity," the general purpose financial statements of the Township contain all the Township funds and component units that are controlled by or dependent on the Township's executive or legislative branches.

Property Taxes

Property taxes attach as an enforceable lien on property as of December 31. Taxes are levied on the ensuing December 1. The Township bills and collects its own property taxes and also collects current rolls for the County and School District. The Township records delinquent real property taxes as revenue upon levy; since the County will sell tax notes and remits monies to the various units of government shortly after year end.

TOWNSHIP OF BESSEMER
NOTES TO FINANCIAL STATEMENTS
March 31, 2004

Budgets

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to April 1, the proposed budget for each budgetary fund is submitted to the Township Board for consideration. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is held at the annual Township Board meeting to obtain taxpayers comments.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted prior to the fiscal year by the majority vote of the Township Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. Any revisions to the budgeted amounts must be approved by a majority vote of the Township Board.
7. Budget appropriations lapse at the end of each fiscal year.
8. Budgeted amounts presented in the financial statements are as originally adopted and amended by the Township Board.

Formal budgets for two special revenue funds were not available whereas, budgets are not required for the operations of the Proprietary Fund types.

Restricted Assets

Enterprise Funds, because of certain bond covenants, are required to establish and maintain prescribed amounts of cash that can be used only to service outstanding debt and to pay for repairs to and maintenance of the utility systems. The Township has deposited monies to meet the minimal amounts required per covenants.

The General Fund has established separate cash accounts of \$1,108 and \$83,152 for future building inspection activities and equipment replacement.

TOWNSHIP OF BESSEMER
NOTES TO FINANCIAL STATEMENTS
March 31, 2004

Total Columns on Combined Financial Statements - Overview

The total column on the Combined Financial Statements is captioned Memorandum Only to indicate that it is presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or cash flows in conformity with generally accepted accounting principles. Neither are such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of these data.

General Fixed Assets

Fixed assets used in governmental fund type operations are accounted for in the General Fixed Assets Account Group. Public domain (infrastructure) general fixed assets consisting of certain improvements other than buildings, such as roads, sidewalks and bridges are not capitalized. Property, plant and equipment acquired or constructed for general governmental operations is recorded as expenditure in the fund making the expenditure and capitalized at cost in the General Fixed Assets Account Group. General Fixed Assets are not depreciated.

Property, plant and equipment acquired for proprietary funds are capitalized in the respective funds to which it applies.

Property, plant and equipment are stated at cost. Where cost could not be determined from the available records, estimated historical cost or estimated value established by Township officials was used to record the estimated value of the assets.

Depreciation of exhaustible fixed assets used by proprietary funds is charged as an expense against operations, and accumulated depreciation is reported on the proprietary funds' balance sheets. Depreciation has been provided over the useful lives using the straight-line method of depreciation. Depreciation on assets acquired by grants externally restricted for capital construction is accounted for as a reduction of contributed capital rather than as a decrease in retained earnings.

The estimated useful lives for each major class of depreciable fixed assets are as follows:

Utility Plant	40-50 Years
Buildings	40-50 Years
Equipment	5-10 Years
Vehicles	5 Years

TOWNSHIP OF BESSEMER
NOTES TO FINANCIAL STATEMENTS
March 31, 2004

Statement of Cash Flows

For the purposes of the Statement of Cash Flows, the Proprietary Fund Type consider all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

Interest Expense

Interest on bonded indebtedness is recorded as expenditure as accrued.

Interest Receivables

Interest on investments is recorded as revenue in the year the interest is earned and is available to pay liabilities of the current period.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

Due to and Due from Other Funds

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed.

NOTE B - CASH

Statutes authorize the Township to deposit cash in financial institutions covered by federal depository insurance and to invest in obligations of the United States Treasury, agencies and instrumentalities; commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services: United

TOWNSHIP OF BESSEMER
NOTES TO FINANCIAL STATEMENTS
March 31, 2004

States government or a agency obligation repurchases agreements; bankers' acceptances of United States banks; certain mutual funds and certain common stocks. All accounts are in the name of the Township and the Township holds certificates of deposit. They are recorded in the Township records at cost. Interest is recorded when the interest is accrued. Certificates of Deposit are recorded at cost, which approximates market value.

Following is a summary of the carrying amount of cash at March 31, 2004:

Cash deposited in banks insured by federal depository insurance	\$414,656
Cash on hand	523
Funds in excess of insurance limits	468,701
Less outstanding items	<u>(96,245)</u>
Total	<u>\$787,635</u>

NOTE C - RECEIVABLES

Accounts receivable and related allowances for uncollectible are as follows:

<u>Fund</u>	<u>Receivable</u>	<u>Allowance</u>	<u>Net</u>
General Fund	\$90,020	\$	\$90,020
Water Fund	\$50,172	\$	\$50,172
West End Sewer	\$98,802	\$	\$98,802
Anvil Sewer	\$ 8,305	\$	\$ 8,305
Ramsay Sewer	\$10,368	\$	\$10,368

General Fund - generally consists of delinquent tax monies and administrative fees; reimbursable preliminary engineering fees from Powderhorn Area Utility District and Anvil Water Project; FEMA reimbursable expenses and solid waste disposal fees.

Proprietary Funds - customer unpaid balances. Trade accounts receivable were comprised of the following at March 31, 2004.

Customer billing for the quarter ended March 2004	\$52,928
Delinquent billings	<u>17,058</u>
Total	<u>\$69,986</u>

Delinquent account balances are placed on tax rolls and can be a lien against real property. Receivables are considered to be fully collectible and accordingly, there is no allowance for doubtful accounts. West End Sewer Fund reflects receivables of \$80,000 and \$14,593 from PAUD for preliminary engineering fees paid and from USDA for a planning grant study completed. These

TOWNSHIP OF BESSEMER
NOTES TO FINANCIAL STATEMENTS
March 31, 2004

NOTE D - SUMMARY OF TAX ROLL

Following is a summary of the 2003 property tax roll:

	<u>Levy</u>	<u>Taxes Returned Delinquent</u>	<u>Net Collected</u>
Real/Personal Property taxes:			
County	\$287,601	\$32,827	\$254,774
School/SET	715,028	50,534	664,494
Township	250,140	28,553	221,587
CFR	22,398	4,794	17,604
SAD	85,875	15,726	70,149
Delinquent Utilities	4,330	2,881	1,449
Totals:	<u>\$1,365,372</u>	<u>\$135,315</u>	<u>\$1,230,057</u>

NOTE E - DELINQUENT TAX RECEIVABLE

The County of Gogebic purchases the delinquent real property taxes of the Township for the 2003 levied. The County intends to sell tax notes, the proceeds of which will be used to pay the Township for these delinquent taxes shortly after yearend. The delinquent real property taxes are recorded as current year tax revenues.

NOTE F - PUBLIC ACT 275 OF 1980 DISCLOSURE

The Township had no deficits in any funds as of March 31, 2004, which would require specific disclosure.

NOTE G - INVENTORIES

Inventories of Governmental Fund types operating supplies and Proprietary Fund (Water Fund) types are valued at cost and inventory is taken at year end by Township's representatives.

TOWNSHIP OF BESSEMER
NOTES TO FINANCIAL STATEMENTS
March 31, 2004

NOTE H - INTERFUND RECEIVABLES AND PAYABLE

The amounts of interfund receivables and payable at March 31, 2004, are as follows:

<u>Funds</u>	<u>Interfund Receivable</u>	<u>Funds</u>	<u>Interfund Payable</u>
General-		Tax Fund-	
Water	\$9,789	General Fund	\$2,447
Tax Fund	2,447	West End Sewer-	
West End Sewer	4,301	General Fund	4,301
Anvil Sewer	1,357	Water Fund	1,150
West End Sewer-		Ramsay Sewer-	
Due from Ramsay	4,311	Anvil Sewer	25,853
Anvil Sewer-		West End Sewer	4,311
Water Fund	37,302	Anvil Sewer-	
Ramsay Sewer	25,853	General Fund	1,357
Water Fund-		Water	
West End Sewer	1,150	Anvil	37,302
Ramsay Sewer-		Ramsay	20,444
Water Fund	20,444	General	9,789
Totals	<u>\$106,954</u>	Totals	<u>\$106,954</u>

NOTE I - CHANGES IN GENERAL FIXED ASSETS

A summary of changes in general fixed assets follow:

	<u>Balance at March 31, 2003</u>		<u>Additions</u>		<u>Deletions</u>		<u>Balance at March 31, 2004</u>
Land	\$12,928	\$		\$			\$12,928
Buildings and improvements	395,276		35,523				430,799
Equipment, fixtures, furniture	549,406		8,701				558,107
Totals	<u>\$957,610</u>		<u>\$44,224</u>	\$			<u>\$1,001,834</u>

TOWNSHIP OF BESSEMER
NOTES TO FINANCIAL STATEMENTS
March 31, 2004

NOTE J - ENTERPRISE FUNDS - FIXED ASSETS

A summary of proprietary fund type property, plant and equipment at March 31, 2004 follows:

	<u>Water Utility Fund</u>	<u>West End Sewer Fund</u>	<u>Anvil Sewer Fund</u>	<u>Ramsay Sewer Fund</u>
Land and land rights	\$5,001	\$	\$	\$
Equipment	63,599	2,000	340	3,684
Utility plant	69,575		780,607	969,732
Work in process				
Total Cost	<u>\$138,175</u>	<u>\$2,000</u>	<u>\$780,947</u>	<u>\$973,416</u>
Accumulated				
Depreciation	<u>\$123,739</u>	<u>\$900</u>	<u>\$146,197</u>	<u>\$556,172</u>
2003-2004				
Depreciation	<u>\$1,164</u>	<u>\$200</u>	<u>\$19,551</u>	<u>\$24,243</u>

Depreciation is computed using the straight-line method.

NOTE K – JOINT VENTURES

GOGEBIC RANGE WATER AUTHORITY

Bessemer Township is a member of Gogebic Range Water Authority, which was created in 1977 by the Cities of Bessemer and Wakefield and the Townships of Bessemer, Wakefield and most recently the Charter Township of Ironwood joined. The purpose of the authority is to develop water sources for its members and others.

The governing board of the Authority consists of eleven members, two appointed by each of the constituent's municipalities and one at large member appointed by the board of directors. The members have no control over budgeting and financing other than the input of its two board members on the authority board. The Authority operates independent from its member municipalities and is not considered to be a component unit of the Township.

TOWNSHIP OF BESSEMER
NOTES TO FINANCIAL STATEMENTS
March 31, 2004

Separate financial statements of the Authority are available through their representatives at PO Box 445, Ramsay, Michigan. A condensed summary of the Authority's activities for the year ended June 30, 2003, is as follows:

Total Assets	\$9,178,827
Total Liabilities	\$4,088,909
Total Equity	\$5,089,918
Total Revenues	\$ 445,455
Total Expenditures	\$ 128,234
Net Increase in Equity	\$ 317,221
Authority debt is as follows:	
Current	\$ 557,909
Long Term	3,531,000
Total Debt	\$4,088,909

All debt of the Authority is expected to be paid by the revenues of the authority. On October 5, 2000 and April 1, 2003, the Authority issued Water System No. 1 Limited Tax General Obligation Bonds, Series 2000 and 2003. Series 2000 and 2003 were issued for \$2,833,000 and \$1,339,000 bearing interest rates of 4.5% and 3.25%, respectively. These were single issue bonds purchased by USDA-Rural Development. The second Limited Tax Obligation bonds issued, City of Bessemer (79.8%) and Bessemer Township (20.2%) will be responsible for providing monies with which the debt will be repaid. In providing assurances, water purchases agreements have been signed which require the municipalities to purchase water from the Authority for the next forty years. The Authority charges Bessemer Township for water sold to them. Construction and related financing costs are allocated and billed by the Authority to the member municipalities. The Authority based upon percentage of participation by each member, developed on a project-by-project basis, bills charges for these services. The financial dependency for future debt retirement payments could be adjusted based on rate charges to each member for water consumed and/or system expansion/improvements. Annual aggregate maturities for the bonds for years subsequent to June 30, 2003, are as follows:

TOWNSHIP OF BESSEMER
NOTES TO FINANCIAL STATEMENTS
March 31, 2004

Year ending June 30,	Series 2000		Series 2003		Total
	Principal	Interest	Principal	Interest	
2004	\$30,000	\$123,750	\$16,000	\$25,204	\$194,954
2005	32,000	122,400	17,000	42,998	214,398
2006	33,000	120,960	18,000	42,445	214,405
2007	34,000	119,475	18,000	41,860	213,335
2008	36,000	117,945	18,000	41,275	213,220
2009-2013	206,000	563,895	104,000	196,885	1,070,780
2014-2018	257,000	513,180	124,000	178,685	1,072,865
2019-2023	320,000	450,000	144,000	157,235	1,071,235
2024-2028	399,000	371,115	172,000	132,145	1,074,260
2029-2033	497,000	272,880	204,000	102,310	1,076,190
2034-2038	619,000	150,613	232,000	67,145	1,068,758
2039-2043	287,000	25,830	272,000	27,105	611,935
	<u>\$2,750,000</u>	<u>\$2,952,043</u>	<u>\$1,339,000</u>	<u>\$1,055,292</u>	<u>\$8,096,335</u>

See audit report footnote on Contingent Liabilities as to past funding participation.

BESSEMER AREA SEWER AUTHORITY

Bessemer Township is a member of the Bessemer Area Sewer Authority, which was formed in 1985 by the City of Bessemer and Township of Bessemer, as a joint venture. The purpose of the Authority is to construct and operate a sewage disposal system in accordance with Act 233, Public Acts of Michigan, 1955 as amended. The BASA operates under a board of directors comprising of members from the two municipalities.

As a joint venture, the BASA operates independent from the member municipalities and is not considered a component unit of the Township. Separate financial statements of the BASA are available at the office of the BASA located at E7840 Stone Road, Bessemer, Michigan.

TOWNSHIP OF BESSEMER
NOTES TO FINANCIAL STATEMENTS
March 31, 2004

A condensed summary of the BASA activities as of June 30, 2003, is as follows

Total Assets	<u>\$8,444,305</u>
Total Liabilities	<u>\$2,576,959</u>
Total Equity	<u>\$5,867,346</u>
Total Revenues	\$ 329,696
Total Expenditures	<u>298,447</u>
Net Increase in Equity	<u>\$ 31,249</u>
Total Authority debt is as follows:	
Current	\$ 77,959
Long Term	<u>2,499,000</u>
Total Debt	<u>\$2,576,959</u>

All BASA debt is expected to be paid by the revenues of the authority. On June 17, 1987 issued \$1,700,000 of Sewage Disposal System No. 1 Bonds (Limited Tax General Obligation) pursuant to Act 233, Public Acts of Michigan, 1955, as amended. The Authority has entered into a contract with each of the constituent municipalities whereby the municipalities have each pledged its limited tax full faith and credit for the payment of the municipality's share of the obligation. The municipalities will be required to levy ad valorem taxes within applicable constitutional and statutory limitations on all taxable property within their boundaries to the extent necessary to make the payments required to pay principal and interest on the bonds if other funds for that purpose are not available. Bonds are payable in annual installments due on May 1 of each year with interest installments at the annual rate of 5% a year, due on May 1 and November 1 of each year.

On May 11, 1998, a second Sanitary Sewage Disposal System Revenue Bonds of \$1,237,000 bearing an annual interest rate of 4.5% were issued. The same payment dates as above apply to this issuance.

Since the Authority has been able to fulfill their payment obligations with revenues charged its customers, no debt payment schedules are disclosed.

TOWNSHIP OF BESSEMER
NOTES TO FINANCIAL STATEMENTS
March 31, 2004

POWDERHORN AREA UTILITY DISTRICT

Bessemer Township is a member of the Powderhorn Area Utility District (PAUD), which was formed on December 11, 2001 as a municipal authority under provisions of Act 233 of Public Acts of Michigan, 1955, as amended. The municipalities forming the District were the Charter Township of Ironwood and Township of Bessemer, as a joint venture. The purpose of the PAUD is to acquire, construct, own, extend, improve, operate, repair and administer a sewage disposal and a water supply system. and operate a sewage disposal system in accordance with Act 233, Public Acts of Michigan, 1955 as amended. PAUD operates under a board of directors consisting of three members, one appointed by the Township Board and two from the Township of Ironwood. PAUD operates independent from the member municipalities and is not considered a component unit of the Township. PAUD maintains its own financial statements and is available through their representative located at PO Box 455, Ramsay, MI.

The District is in the final phase of designing a sewage disposal system in an area served by individual customers systems. The anticipated costs associated with this system are \$7,737,050 of which \$6,355,800 is to be funded by USDA loan proceeds and \$1,381,250 in state grants. Each member municipality has agreed to the terms of a financing contract with the District which would hold each unit responsible to their pro-rata share (Bessemer Township 26.8%) of the cost of construction.

The Township of Bessemer applied for and received \$80,000 in Bond Anticipation Notes proceeds from a local lender in allowing for payment of engineering fees. The original note matured on July 1, 2004 and was refinanced with accrued interest. It is anticipated that the District and its members will be reimbursed for project costs when USDA loan proceeds become available.

In December of 2003, the member municipalities started to levy a special assessment on the property located within the District. These funds are to be used to cover costs during the construction period. Future costs are anticipated to be funded by user charges and special assessments.

TOWNSHIP OF BESSEMER
NOTES TO FINANCIAL STATEMENTS
March 31, 2004

GOGEBIC RANGE SOLID WASTE MANAGEMENT AUTHORITY

Bessemer Township is a member of the Gogebic Range Solid Waste Management Authority, which was created on August 6, 1987 by the Cities of Bessemer and Wakefield, and the Townships of Bessemer, Ironwood, and Marenisco as a joint venture. The purpose of the Authority is to construct and operate a solid waste transfer services to its members, other municipalities and the general public. The Authority was organized in accordance with Act 233, Public Acts of Michigan, 1955 as amended. The Authority operates under a board of directors comprised of members from the constituent municipalities.

The Authority operates independent from the member municipalities and is not considered a component unit of the Township. Separate financial statements of the GRSWMA are available at the office of the GRSWMA located on US 2, Ironwood, Michigan.

The Authority issued \$476,000 in Solid Waste Disposal System Bonds No. 1, Series 2003, in the fall of 2003 in defraying improvement costs and refinance existing indebtedness. Bonds are payable in annual installments due on February 1 of each year with interest installments at the annual rate of 4.5% a year, due on February 1, and August 1 of each year.

The Authority has entered into a contract with each of the constituent municipalities whereby the municipalities have each pledged its limited tax full faith and credit for the payment of the municipality's share of the obligation. The municipalities will be required to levy ad valorem taxes within applicable constitutional and statutory limitations on all taxable property within their boundaries to the extent necessary to make the payments required to pay principal and interest on the bonds if other funds for that purpose are not available. The Township pro-rata share would be approximately 15% of the outstanding bond balance. The Authority has been able to meet all their prior years' debt retirement payments with operating receipts. A loan amortization schedule was unavailable for disclosure purposes.

NOTE L - ACCOUNTS PAYABLE

The General Fund's accounts payable were for normal expenditures, whereas, additional park improvements and a road contract work were in progress and/or awarded prior to year-end.

The Proprietary Fund account payable balance included \$80,000 (West End Sewer) in Bond Anticipation notes payable as discussed in Note K. The remaining accounts payable were for normal expenditures at year-end. See Note O reference to resolving a contractor's retainer.

The Township Board decided to terminate the customer meter deposit requirements and convert all customers deposits into current year revenues during a public hearing regarding on utility rates. The Water Fund operating statement reflects \$26,538 in other revenue for the year ended March 31, 2004.

TOWNSHIP OF BESSEMER
NOTES TO FINANCIAL STATEMENTS
March 31, 2004

NOTE M - GENERAL LONG-TERM DEBT

On May 10, 1999, the Township of Bessemer entered into a lease purchased arrangement for \$61,775 with John Deere Incorporated towards the purchase of a loader. The agreement allowed for the first year to be interest free and the balanced financed at an interest rate of 6.25%. Payments are made annually, due June 20 of each respective year.

A summary of annual principal and interest requirements to maturity follows:

<u>Year ending March 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	<u>\$13,726</u>	<u>\$ 215</u>	<u>\$13,941</u>

The Township has \$1,483 of liability for accrued leave benefits as of March 31, 2004.

NOTE N - REVENUE BONDS

On August 28, 1995, the Township issued \$194,000 in Sewage Disposal System Revenue Bonds to partially finance the cost of acquiring and constructing the sewage system. The bonds bear interest at the rate of 4.5% per annum, which is payable semi-annually on May 15 and October 29 of each year. As of March 31, 2004, \$186,000 of the bonds remained outstanding as follows:

Debt service charges until maturity are as follows:

<u>Year Ending March 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 1,000	\$ 8,348	\$ 9,348
2006	2,000	8,280	10,280
2007	3,000	8,167	11,167
2008	3,000	8,033	11,033
2009	3,000	7,897	10,897
2010	3,000	7,763	10,763
2011	3,000	7,627	10,627
2012	3,000	7,493	10,493
2013	4,000	7,335	11,335
2014	4,000	7,155	11,155
2015	4,000	6,975	10,975

TOWNSHIP OF BESSEMER
NOTES TO FINANCIAL STATEMENTS
March 31, 2004

<u>Year Ending March 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	4,000	6,795	10,795
2017	5,000	6,592	11,592
2018	5,000	6,368	11,368
2019	5,000	6,142	11,142
2020	5,000	5,918	10,918
2021	6,000	5,670	11,670
2022	6,000	5,400	11,400
2023	6,000	5,130	11,130
2024	6,000	4,860	10,860
2025	7,000	4,567	11,567
2026	7,000	4,253	11,253
2027	7,000	3,937	10,937
2028	8,000	3,600	11,600
2029	8,000	3,240	11,240
2030	8,000	2,880	10,880
2031	9,000	2,498	11,498
2032	9,000	2,092	11,092
2033	10,000	1,665	11,665
2034	10,000	1,215	11,215
2035	11,000	743	11,743
2036	<u>11,000</u>	<u>247</u>	<u>11,247</u>
	<u>\$186,000</u>	<u>\$168,885</u>	<u>\$354,885</u>

Bonds are subject to redemption prior to maturity on any interest payment date in inverse numerical order.

These revenue bonds are self-liquidating bonds and are not a general obligation of the Township of Bessemer, but are payable solely from the revenues of the system.

On February 11, 1997, the Township issued \$223,000 in Sewage Disposal System Revenue Bonds to partially finance the cost of acquiring and constructing the sewage system. The bonds bear interest at the rate of 4.5% per annum, which is payable semi-annually on May 15 and October 29 of each year.

Debt service charges until maturity are as follows:

TOWNSHIP OF BESSEMER
NOTES TO FINANCIAL STATEMENTS
March 31, 2004

<u>Year Ending March 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 1,500	\$ 9,529	\$ 11,029
2006	2,500	9,439	11,939
2007	2,500	9,326	11,826
2008	3,500	9,191	12,691
2009	3,500	9,034	12,534
2010	3,500	8,876	12,376
2011	3,500	8,719	12,219
2012	3,500	8,561	12,061
2013	3,500	8,404	11,904
2014	3,500	8,246	11,746
2015	4,500	8,066	12,566
2016	4,500	7,864	12,364
2017	4,500	7,661	12,161
2018	4,500	7,459	11,959
2019	5,500	7,234	12,734
2020	5,500	6,986	12,486
2021	6,500	6,716	13,216
2022	6,500	6,424	12,924
2023	6,500	6,131	12,631
2024	7,500	5,816	13,316
2025	7,500	5,479	12,979
2026	7,500	5,141	12,641
2027	7,500	4,804	12,304
2028	7,500	4,466	11,966
2029	8,500	4,106	12,606
2030	9,000	3,716	12,716
2031	9,000	3,308	12,308
2032	10,000	2,880	12,880
2033	11,000	2,408	13,408
2034	11,000	1,813	12,813
2035	12,000	1,395	13,395
2036	12,000	855	12,855
2036	<u>13,000</u>	<u>293</u>	<u>13,293</u>
	<u>\$212,500</u>	<u>\$200,346</u>	<u>\$412,846</u>

Bonds are subject to redemption prior to maturity on any interest payment date in inverse numerical order. These revenue bonds are self-liquidating bonds and are not a general obligation of the Township of Bessemer, but are payable solely from the revenues of the system.

TOWNSHIP OF BESSEMER
NOTES TO FINANCIAL STATEMENTS
March 31, 2004

NOTE O - CONSTRUCTION COMPLETED/FINAL RETAINER RESOLVED

The Township has received funding in the form of a \$223,000 loan from Rural Economic and Community Development Services (RECD) to construct a new sewer system in the Ramsay Location. The loan funds came from RECD at a 4 1/2% interest rate for 40 years and are secured by two Revenue Bond Issues. Construction activity began in November of 1996 and was substantially completed and placed in service as of March 31, 2000.

The Township contractual agreement for improvements to Anvil Sewer System has not been finalized. The \$526,587 contractual amount has been substantially completed. The final retainage of \$25,869 which has been recognized as a liability in the prior years Proprietary Fund pending completion of punch list items.

The Township decided to cure the punch list items since the contractor never completed the project. Upon completing the work items, the liability has now been reclassified as a prior period adjustment, increasing retained earnings for the year ended March 31, 2004. Management is of opinion the retainer is due them since punch lists have been accomplished using their own monies; the statute of limitations has expired and lack of action by the contractor.

NOTE P - CONTRIBUTIONS FROM CUSTOMERS

A major water user in the Township has contributed \$26,780 to the Water Fund to aid the Township in paying its portion of costs relating to the Gogebic Range Water Authority. In addition, another major customer has contributed \$20,937 to West End Sewer to aid the Township in paying a portion of its costs relating to the Bessemer Area Sewer Authority. These amounts have also been included in the equity section of the appropriate funds. These capital accounts have been closed as a prior period adjustment during the fiscal year ended March 31, 2003. See Note S regarding Prior Period Adjustments.

NOTE Q - CONTRIBUTIONS FROM STATE AND FEDERAL AGENCIES

In September 1973 and September 1996, the Township put on line a sewage disposal system for which they had received \$562,722 and \$581,000 in grants from various state and federal agencies. The Township has elected to reduce the "Contributions in Aid of Construction" account by the amount of depreciation on the assets acquired with these grants monies.

TOWNSHIP OF BESSEMER
NOTES TO FINANCIAL STATEMENTS
March 31, 2004

Data relative to this account is as follows:

	<u>Ramsay Sewer Fund</u>	<u>Anvil Sewer Fund</u>
Total Depreciation 2003-2004	\$ 24,243	\$ 19,551
Depreciation add back on Assets acquired with Grant Funds 2003-2004	\$ 14,068	\$ 14,525
	=====	=====
Total Grants Received	\$ 562,722	\$ 581,000
Accumulated depreciation on acquired assets as of March 31, 2004	<u>429,074</u>	<u>109,543</u>
Contribution in Aid of Construction – Sewer Funds	<u>\$ 133,648</u>	<u>\$ 471,457</u>

NOTE R - CHANGES IN LONG-TERM DEBT

	<u>Balance 3/31/03</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 3/31/04</u>
Proprietary Funds	\$401,000	\$ _____	\$ 2,500	\$401,000
General LT Debt	\$27,186	\$ 919	\$12,896	\$15,209

TOWNSHIP OF BESSEMER
NOTES TO FINANCIAL STATEMENTS
March 31, 2004

NOTE S - PRIOR PERIOD ADJUSTMENTS

The Water and West End Utility Funds, contributed capital accounts from non-governmental sources, were overstated in prior years. The contributions were received in deferring debt service charges related to GRWA planning expenses, which were expensed. Since no related fixed assets were credited, the correct accounting treatment would have been to recognize the contributions as revenues in the accounting period received. The financial statements equity accounts for both funds have been adjusted accordingly, reducing contributed equity and increasing retained earnings. Also, see Note O as to final resolution of a contractor's retainer held by the Township.

NOTE T - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The Township provides water and sewage services through four enterprise funds. Segment information as of March 31, 2004, follows:

	Water Fund	West End Sewer Fund	Anvil Sewer Fund	Ramsay Sewer Fund
Operating revenues	\$191,383	\$21,614	\$24,159	\$52,625
Total operating and Administrative exp	\$191,217	\$26,554	\$24,172	\$65,231
Depreciation expense \$	1,164	\$ 200	\$19,551	\$24,243
Operating income (loss) \$	166	(\$4,940)	(\$13)	(\$12,606)
Restrictive donations/grants	0	0	0	0
Operating transfers	0	0	0	0
Tax revenues	0	0	0	0
Increase (decrease) in retained earnings	\$34,164	(\$4,458)	(\$5,102)	(\$14,930)
Current capital contrib.	0	0	0	0
Increase (decrease) in fixed assets	\$ 0	\$ 0	\$ 340	\$ 0
Long-term debt payable from operating revenues	\$ 0	\$ 0	\$186,000	\$212,500
Retained-earnings Unreserved (deficit)	\$42,108	\$33,263	\$100,454	\$134,625

TOWNSHIP OF BESSEMER
NOTES TO FINANCIAL STATEMENTS
March 31, 2004

NOTE U - CONTINGENT LIABILITY

The Township has entered into various contracts with the Gogebic Range Water Authority whereby the Township has agreed to pay a substantial share of periodic payments of principal and interest on revenue bonds issued by the Authority for construction of a water supply system to serve two local units. The obligation of the Township is limited to the amount that the periodic payments may exceed the revenue or other income of the system. The total extent the Township may be liable for cannot be readily determined since additional improvements are being undertaken and additional assurances are being made. It is expected that the future revenues of the system will not be sufficient to pay annual debt payments. Amounts transferred to the Authority for annual debt payments, bond reserve requirements, and administrative fees are as follows:

Year ended March 31, 1987	\$ 31,865
March 31, 1988	14,058
March 31, 1989	18,273
March 31, 1991	21,851
March 31, 1992	19,723
March 31, 1993	23,430
March 31, 1994	23,430
March 31, 1996	22,493
March 31, 1997	22,493
March 31, 1998	25,773
March 31, 1999	32,802
March 31, 2000	28,116
March 31, 2001	43,117
March 31, 2002	56,187
March 31, 2003	68,003
March 31, 2004	<u>49,328</u>
Totals to date	<u>\$500,942</u>

The above payments are being expense in the period the contributions have been paid.

The Township has also entered into contracts with the Bessemer Area Sewer Authority to pledge its limited tax full faith and credit for the payment of the municipality's share of the outstanding bond indebtedness. It is anticipated that the revenues of the system will be sufficient in making the debt retirement payments as they are become payable.

TOWNSHIP OF BESSEMER
NOTES TO FINANCIAL STATEMENTS
March 31, 2004

The Township has become a joint member with Ironwood Township in forming the Powderhorn Area Utility District (PAUD) to seek a remedy to failing septic systems located in the Powderhorn area. Engineering studies have been completed and project was let on bids. See Note K regarding Joint Ventures. It is intended that the Powderhorn Area Utility District will be self-sufficient, relying on special assessments and rate charges to fund the improvements and future operations.

The Township has made a commitment to Gogebic Range Solid Waste Management to pledge its limited tax full faith and credit in the retirement of debt obligations. The amount of bonds authorized for issuance amounted to \$476,000 for equipment upgrades and improvements as of October 31, 2003. The Township would be responsible for approximately 15% or \$71,000. GRSWMA past debt retirement payments have been satisfied by operating revenues and has not requested financial assistance from the Township.

NOTE V - COMPENSATED ABSENCES

Employees are covered under a collective bargaining agreement. An employee shall be entitled to five days of vacation after 1 year of complete service. After two years of completed employment, the employee earns 7 vacation days. After five years of completed service, the employee shall be entitled to 11 days. Furthermore, each employee shall be entitled to 3 personal days per year. Two employees had earned \$1,483 in accrued benefits as of March 31, 2004.

NOTE W - RISK MANAGEMENT

The Township is exposed to various risks of losses related to torts; theft or, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Township has obtained coverage from commercial insurance companies. The Township has comprehensive general liability coverage of \$1,000,000 per occurrence and a \$3,000,000 aggregate limit, with no deductible amount.

All risk management activities are accounted for in the General Fund and Enterprise Funds of the Township. Expenditures and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered. Management estimates that the amount of actual or potential claims against the Township as of March 31, 2004 resulting in a property tax appeal case will be approximately \$4,735 and the General Fund financial statements have been adjusted accordingly. Otherwise, no other matters were present which would require recognition in the financial statements of the Township. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past five years.

TOWNSHIP OF BESSEMER
NOTES TO FINANCIAL STATEMENTS
March 31, 2004

NOTE W – OPERATING LEASE

On September 1, 2003, The Township entered into an agreement with the Gogebic Range Water Authority to lease office space located in the township hall. This is an operating lease whereby either party may terminate the lease at will. The lease calls for the Authority to pay a monthly rent of \$300 less credit for capital improvements (\$9,237) made to the real estate. The lease effective date began on January 1, 2004.

COMBINING AND
INDIVIDUAL FUND
FINANCIAL STATEMENTS

TOWNSHIP OF BESSEMER
COMBINING BALANCE SHEETS
PROPRIETARY FUND TYPE
March 31, 2004

	<u>Water</u>	<u>West End</u>	<u>Anvil</u>	<u>Ramsay</u>	<u>Totals</u>
ASSETS					
Current Assets:					
Cash	\$24,770	\$19,314	\$6,881	\$34,343	\$85,308
Certificates of deposit	18,181				18,181
Accounts receivable-net	50,172	98,802	8,305	10,368	167,647
Due from other funds	1,150	4,311	63,155	20,444	89,060
Supplies inventory (at cost)	9,974				9,974
Total Current Assets	\$104,247	\$122,427	\$78,341	\$65,155	\$370,170
Fixed Assets:					
Land	\$5,001	\$	\$	\$	\$5,001
Equipment	63,599	2,000	340	3,684	69,623
Utility plant	69,575		780,607	969,732	1,819,914
Accumulated depreciation	(123,739)	(900)	(146,197)	(556,172)	(827,008)
Work in process					
Other Assets:					
Restricted cash			49,179	32,950	82,129
Accrued interest income	36				36
Prepaid expenses					
TOTAL ASSETS	\$118,719	\$123,527	\$762,270	\$515,349	\$1,519,865
LIABILITIES AND MUNICIPAL EQUITY					
Current Liabilities:					
Accounts payable	\$7,598	\$84,813	\$210	\$1,213	\$93,834
Contractor payable					1,478
Accrued wages/taxes	1,478				5,991
Accrued interest payable			2,792	3,199	2,500
Current maturity on LT Debt			1,000	1,500	
Total Current Liabilities	\$9,076	\$84,813	\$4,002	\$5,912	\$103,803
Other Liabilities					
Customer deposits					104,507
Due to other funds	67,535	5,451	1,357	30,164	398,500
Bonds payable			186,000	212,500	(2,500)
Less current portion			(1,000)	(1,500)	
Total Other Liabilities	67,535	5,451	186,357	241,164	500,507
TOTAL LIABILITIES	\$76,611	\$90,264	\$190,359	\$247,076	\$604,310

The accompanying notes are an integral part of the financial statements

TOWNSHIP OF BESSEMER
COMBINING BALANCE SHEETS
PROPRIETARY FUND TYPE
March 31, 2004

	<u>Water</u>	<u>West End</u>	<u>Anvil</u>	<u>Ramsay</u>	<u>Totals</u>
Municipal Equity					
Contributed Capital:					
Capital grants			\$581,000	\$562,722	\$1,143,722
Less amortization of			(109,543)	(429,074)	(538,617)
capital grants	-	-			
Total Contributed Capital			471,457	133,648	605,105
Retained earnings	42,108	33,263	100,454	134,625	310,450
TOTAL LIABILITIES AND EQUITY	\$118,719	\$123,527	\$762,270	\$515,349	\$1,519,865

The accompanying notes are an integral part of the financial statements

TOWNSHIP OF BESSEMER
COMBINING BALANCE SHEETS
PROPRIETARY FUND TYPE
March 31, 2003

	<u>Water</u>	<u>West End</u>	<u>Anvil</u>	<u>Ramsay</u>	<u>Totals</u>
ASSETS					
Current Assets:					
Cash	\$27,179	\$33,241	\$1,465	\$32,402	\$94,287
Certificates of deposit	14,427				14,427
Accounts receivable-net	38,694	5,938	5,503	20,647	70,782
Due from other funds	-1,150	4,311	29,699	20,444	55,604
Supplies inventory (at cost)	9,398				9,398
Total Current Assets	\$90,848	\$43,490	\$36,667	\$73,493	\$244,498
Fixed Assets:					
Land	\$5,001	\$	\$	\$	\$5,001
Equipment	63,599	2,000		3,684	69,283
Utility plant	69,575		780,607	885,163	1,735,345
Accumulated depreciation	(122,575)	(700)	(126,646)	(531,929)	(781,850)
Work in process				84,569	84,569
Other Assets:					
Restricted cash			77,644	62,970	140,614
Accrued interest income	7				7
Prepaid expenses	84				84
TOTAL ASSETS	\$106,539	\$44,790	\$768,272	\$577,950	\$1,497,551
LIABILITIES AND MUNICIPAL EQUITY					
Current Liabilities:					
Accounts payable	\$12,679	\$1,618	\$96	\$1,148	\$15,541
Contractor payable			25,869	72,011	97,880
Accrued wages/taxes	1,188			65	1,253
Accrued interest payable			2,806	3,212	6,018
Current maturity on LT Debt			1,000	1,500	2,500
Total Current Liabilities	\$13,867	\$1,618	\$29,771	\$77,936	\$123,192
Other Liabilities					
Customer deposits	26,298				26,298
Due to other funds	58,429	5,451	1,357	4,311	69,548
Bonds payable			187,000	214,000	401,000
Less current portion			(1,000)	(1,500)	(2,500)
Total Other Liabilities	84,727	5,451	187,357	216,811	494,346
TOTAL LIABILITIES	\$98,594	\$7,069	\$217,128	\$294,747	\$617,538

The accompanying notes are an integral part of the financial statements

TOWNSHIP OF BESSEMER
COMBINING BALANCE SHEETS
PROPRIETARY FUND TYPE
March 31, 2003

	<u>Water</u>	<u>West End</u>	<u>Anvil</u>	<u>Ramsay</u>	<u>Totals</u>
Municipal Equity					
Contributed Capital:					
Capital grants			\$581,000	\$562,722	\$1,143,722
Less amortization of capital grants	-	-	(95,018)	(415,006)	(510,024)
Total Contributed Capital			485,982	147,716	633,698
Retained earnings	7,945	37,721	65,162	135,487	246,315
TOTAL LIABILITIES AND EQUITY	\$106,539	\$44,790	\$768,272	\$577,950	\$1,497,551

The accompanying notes are an integral part of the financial statements

TOWNSHIP OF BESSEMER
COMBINING STATEMENT OF INCOME AND
CHANGES IN RETAINED EARNING
PROPRIETARY FUND TYPE
March 31, 2004

	Water	West End	Anvil	Ramsay	Totals
Operating revenues:					
Sales to customers	\$183,249	\$21,614	\$24,159	\$33,539	\$262,561
Other revenues	8,134			19,086	27,220
Total Operating Revenues	\$191,383	\$21,614	\$24,159	\$52,625	\$289,781
Operating expenses					
Water purchased/contract cost	\$87,444	\$19,417	\$	\$775	\$107,636
Depreciation	1,164	200	19,551	24,243	45,158
Wages and taxes	22,848	157	690	11,462	35,157
Insurance	190				190
Utilities	4,729		1,001	5,293	11,023
Operating supplies/maintenance	11,973	5,977	2,203	22,598	42,751
Total Operating Expenses	128,348	25,751	23,445	64,371	241,915
Administrative expenses					
Wages and taxes	\$6,750				\$6,750
Contracted services	1,668	200	200	200	2,268
Office expenses	512	127	148	383	1,170
Transportation	1,527	137	157	119	1,940
Publications/dues	917				917
Training	728				728
Miscellaneous	1,439	339	222	158	2,158
Contributions -GRWA	49,328				49,328
TOTAL OPERATING AND ADMINISTRATIVE EXPENSES	\$191,217	\$26,554	\$24,172	\$65,231	\$307,174
INCOME FROM OPERATIONS	166	(4,940)	(13)	(12,606)	(17,393)
Other revenues (expenses):					
Debt service/Tap in fees	7,009		3,000	6,945	16,954
Interest income	451	482	290	314	1,537
Customer deposits forgiven	26,538				26,538
Interest expense			(8,379)	(9,583)	(17,962)
NET INCOME	\$34,164	(\$4,458)	(\$5,102)	(\$14,930)	\$9,674
Provision for depreciation included in operating expenses by external restricted grants			14,525	14,068	28,593
INCREASE IN RETAINED EARNINGS	34,164	(4,458)	9,423	(862)	38,267
Retained earnings 3/31/2003	7,944	37,721	65,162	135,487	246,314
Prior period adjustment			25,869		25,869
RETAINED EARNING 3/31/04	\$42,108	\$33,263	\$100,454	\$134,625	\$310,450

The accompanying notes are an integral part of the financial statements

TOWNSHIP OF BESSEMER
COMBINING STATEMENT OF INCOME AND
CHANGES IN RETAINED EARNING
PROPRIETARY FUND TYPE
March 31, 2003

	Water	West End	Anvil	Ramsay	Totals
Operating revenues:					
Sales to customers	\$142,754	\$23,388	\$21,596	\$38,837	\$226,575
Other revenues	4,698				4,698
Total Operating Revenues	\$147,452	\$23,388	\$21,596	\$38,837	\$231,273
Operating expenses					
Water purchased/contract cost	\$114,682	\$19,262	\$	\$980	\$134,924
Depreciation	545	200	19,515	22,656	42,916
Wages and taxes	19,958	117	2,196	9,516	31,787
Insurance	2,069				2,069
Utilities	4,612		1,033	7,777	13,422
Operating supplies/maintenance	3,425	79	4,778	265	8,547
Total Operating Expenses	145,291	19,658	27,522	41,194	233,665
Administrative expenses					
Wages and taxes	\$6,450				\$6,450
Contracted services	4,603				4,603
Office expenses	356				356
Transportation	1,092				1,092
Publications/dues	1,048				1,048
Training	454				454
Miscellaneous	2,013		171	100	2,284
Contributions -GRWA	68,003				68,003
TOTAL OPERATING AND ADMINISTRATIVE EXPENSES	\$229,310	\$19,658	\$27,693	\$41,294	\$317,955
INCOME FROM OPERATIONS	(81,858)	3,730	(6,097)	(2,457)	(86,682)
Other revenues (expenses):					
Debt service/Tap in fees	19,885		3,000	13,400	36,285
Interest income	1,889	619	534	813	3,855
Transfers to other funds	14,963			(14,963)	
Interest expense			(8,422)	(9,634)	(18,056)
NET INCOME	(\$45,121)	\$4,349	(\$10,985)	(\$12,841)	(\$64,598)
Provision for depreciation included in operating expenses by external restricted grants			14,525	14,068	28,593
INCREASE IN RETAINED EARNINGS	(45,121)	4,349	3,540	1,227	(36,005)
Retained earnings 3/31/2002	53,066	33,372	61,622	134,260	282,320
RETAINED EARNING 3/31/03	\$7,945	\$37,721	\$65,162	\$135,487	\$246,315

The accompanying notes are an integral part of the financial statements

TOWNSHIP OF BESSEMER
COMBINING STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE
March 31, 2004

	Water	West End	Anvil	Ramsay	Totals
CASH FLOWS FROM OPERATING ACTIVITIES					
Income from operations for the year	\$166	(\$4,940)	(\$13)	(\$12,606)	(\$17,393)
Adjustments to reconcile income from operations to net cash provided by (used in) operating activities:					
Depreciation	1,164	200	19,551	24,243	45,158
(Increase) decrease in:					
Account receivable	(11,297)	(92,864)	(2,802)	10,278	(96,685)
Due from other funds			(33,456)		(33,456)
Inventory	(576)				(576)
Accrued interest income	(29)				(29)
Prepaid expense	84				84
(Decrease) increase in:					
Accounts payable	(5,080)	83,196	114		78,230
Contractor payable				(72,011)	(72,011)
Accrued payroll/taxes	348				348
Customers deposits					
Accrued interest			(14)	(12)	(26)
Due to other funds	9,106			25,853	34,959
Total Adjustments	(\$6,280)	(\$9,468)	(\$16,607)	(\$11,649)	(\$44,004)
Net Cash Provided by Operating Activities	(\$6,114)	(\$14,408)	(\$16,620)	(\$24,255)	(\$61,397)
Cash Flows from Capital and related financing activities:					
Capital additions			(340)		(340)
Bond proceeds/debt service recd	7,009		3,000	6,945	16,954
Principal paid on bonds			(1,000)	(1,500)	(2,500)
Customers deposits					
Interest paid on bonds			(8,379)	(9,583)	(17,962)
Net cash provided (used) for capital and related financing activities	7,009		(6,719)	(4,138)	(3,848)
Cash Flows from Investing Activities:					
Interest earned	451	482	290	314	1,537
NET INCREASE (DECREASE) IN CASH	1,346	(13,926)	(23,049)	(28,079)	(63,708)
Cash 3/31/2003	41,606	33,241	79,109	95,372	249,328
CASH 3/31/2004	\$42,952	\$19,315	\$56,060	\$67,293	\$185,620

The accompanying notes are an integral part of the financial statements

TOWNSHIP OF BESSEMER
COMBINING STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE
March 31, 2003

	Water	West End	Anvil	Ramsay	Totals
CASH FLOWS FROM OPERATING ACTIVITIES					
Income from operations for the year	(\$81,858)	\$3,730	(\$6,097)	(\$2,457)	(\$86,682)
Adjustments to reconcile income from operations to net cash provided by (used in) operating activities:					
Depreciation	545	200	19,515	22,656	42,916
(Increase) decrease in:					
Trade account receivable	(9,274)	(146)	(243)	(12,937)	(22,600)
Due from other funds			(7,945)	490	(7,455)
Inventory	(963)				(963)
Accrued interest income	552				552
Prepaid expense	213				213
(Decrease) increase in:					
Accounts payable	(18,888)		(50)	482	(18,456)
Contractor payable				72,011	72,011
Accrued payroll/taxes	(348)			(53)	(401)
Accrued interest			(15)	(6)	(21)
Due to other funds	8,457				8,457
Total Adjustments	(\$19,706)	\$54	\$11,262	\$82,643	\$74,253
Net Cash Provided by Operating Activities	(\$101,564)	\$3,784	\$5,165	\$80,186	(\$12,429)
Cash Flows from Capital and related financing activities:					
Capital additions				(72,011)	(72,011)
Bond proceeds/debt service recd	19,886		3,000	13,400	36,286
Principal paid on bonds			(1,000)	(1,500)	(2,500)
Transfers to other funds	14,963			(14,963)	
Interest paid on bonds			(8,421)	(9,634)	(18,055)
Net cash provided (used) for capital and related financing activities	34,849		(6,421)	(84,708)	(56,280)
Cash Flows from Investing Activities:					
Interest earned	1,889	619	534	813	3,855
NET INCREASE (DECREASE) IN CASH	(64,826)	4,403	(722)	(3,709)	(64,854)
Cash 3/31/2002	106,432	28,838	79,831	99,081	314,182
CASH 3/31/2003	\$41,606	\$33,241	\$79,109	\$95,372	\$249,328

The accompanying notes are an integral part of the financial statements

TOWNSHIP OF BESSEMER

GENERAL FUND
DETAIL OF REVENUES AND OTHER FINANCING SOURCES
BUDGET AND ACTUAL
Year ended March 31, 2004

REVENUES	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
Current property taxes	\$227,609	\$248,662	\$21,053
Delinquent property taxes	20,500	792	(19,708)
Commercial forest reserve	11,500	4,226	(7,274)
Swamp taxes	50	108	58
Tax administrative fees	22,000	19,146	(2,854)
Total taxes	\$281,659	\$272,934	(\$8,725)
State shared revenues	117,500	113,275	(4,225)
Federal shared revenues		108,787	108,787
Charges for services	40,000	42,825	2,825
Reimbursements	5,000	10,611	5,611
Sales of assets		1,924	1,924
Miscellaneous	1,500		(1,500)
Interest income	6,000	5,188	(812)
TOTAL REVENUES	\$451,659	\$555,544	\$103,885
Other financing sources-Transfer from other funds			
TOTAL REVENUES AND OTHER FINANCING SOURCE	\$451,659	\$555,544	\$103,885

The accompanying notes are an integral part of the financial statements.

GENERAL FUND

DETAIL OF EXPENDITURES AND COMPARISON WITH BUDGET
TOWNSHIP OF BESSEMER

	Year ended March 31, 2004		
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
LEGISLATIVE			
Township Board:	-	-	
Salaries		\$12,965	
Fringe benefits		12,655	
Office supplies		1,350	
Communications		4,553	
Professional fees		4,840	
Transportation		400	
Printing and publications		1,838	
Insurance		28,955	
Training		43	
Miscellaneous		98	
Subscriptions/dues		455	
Contributions		1,748	
Charge backs		11,021	
GENERAL	\$88,000	\$80,921	\$7,079
GOVERNMENT			
Supervisor:			
Salaries		\$10,000	
Per diem		240	
Fringe benefits		11,347	
TOTAL SUPERVISOR	\$22,300	\$21,587	\$713
Election:			
Salaries		\$	
Office supplies			
Contract services			
Publications			
Miscellaneous			
TOTAL ELECTION	\$2,600	\$	\$2,600

The accompanying notes are an integral part of the financial statements.

GENERAL FUND
 DETAIL OF EXPENDITURES AND COMPARISON WITH BUDGET
 TOWNSHIP OF BESSEMER
 Year ended March 31, 2004

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
Assessor:			
Wages		\$12,900	
Miscellaneous		1,805	
TOTAL ASSESSOR	\$17,100	\$14,705	\$2,395
Clerk:			
Salary		\$19,672	
Deputy clerk		861	
Per diem		630	
Supplies		251	
Transportation		2	
TOTAL CLERK	\$23,230	\$21,416	\$1,814
TOTAL BOARD OF REVIEW	\$1,000	\$450	\$550
Treasurer:			
Salary		\$18,540	
Deputy treasurer		484	
Per diem		520	
Fringe benefits		5,791	
Postage		1,767	
Transportation		557	
Contract cost		2,995	
Insurance		363	
TOTAL TREASURER	\$32,240	\$31,017	\$1,223

The accompanying notes are an integral part of the financial statements

GENERAL FUND
 DETAIL OF EXPENDITURES AND COMPARISON WITH BUDGET
 TOWNSHIP OF BESSEMER
 Year ended March 31, 2004

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
Township Properties:			
Wages		\$23,357	
Supplies		6,083	
Utilities		18,802	
Repairs & maintenance		5,248	
Transportation		2,308	
Equipment		1,847	
Capitol outlay		1,988	
	\$111,500	\$59,633	\$51,867
TOTAL GENERAL GOVERNMENT	\$209,970	\$148,808	\$61,162
Public Safety			
Fire:			
Wages		\$7,042	
Supplies		1,694	
Repairs & maintenance		3,099	
Miscellaneous		3,869	
Capitol outlay		3,190	
Equipment		6,854	
TOTAL FIRE PROTECTION	\$27,500	\$25,748	\$1,752
TOTAL ZONING	\$4,750	\$3,750	\$1,000
TOTAL PUBLIC SAFETY	\$32,250	\$29,498	\$2,752

The accompanying notes are an integral part of the financial statements.

GENERAL FUND

DETAIL OF EXPENDITURES AND COMPARISON WITH BUDGET TOWNSHIP OF BESSEMER

Year ended March 31, 2004

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
Streets & Sidewalks			
Wages		\$525	
Supplies		444	
Streets and roads		20,225	
Miscellaneous		24	
Street lights		16,470	
TOTAL STREETS & SIDEWALKS	\$139,450	\$37,688	\$101,762
Solid Waste:			
Wages		\$21,071	
Fringe benefits		5,630	
Repairs & maintenance		2,683	
Transportation		1,210	
Miscellaneous		574	
Tipping fees		27,900	
TOTAL SOLID WASTE	\$74,700	\$59,068	\$15,632
TOTAL PUBLIC WORKS	\$214,150	\$96,756	\$117,394
Recreation and Culture:			
Parks:			
Wages		\$5,503	
Supplies		356	
Utilities		202	
Capitol outlay		134,744	
Miscellaneous		1,389	
TOTAL RECREATION & CULTURE	\$28,700	\$142,194	(\$113,494)

The accompanying notes are an integral part of the financial statements.

GENERAL FUND

DETAIL OF EXPENDITURES AND COMPARISON WITH BUDGET
TOWNSHIP OF BESSEMER

Year ended March 31, 2004

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
COMMUNITY DEVELOPMENT - -	\$13,100	\$12,511	\$589
OTHER			
Payroll taxes	\$14,500	\$13,697	\$803
Debt service:			
Principal	15,000	12,896	2,104
Interest		1,045	(1,045)
Miscellaneous	1,000	1,945	(945)
TOTAL OTHER	\$30,500	\$29,583	\$917

The accompanying notes are an integral part of the financial statements.

COMBINING BALANCE SHEET – FIDUCIARY FUNDS

TOWNSHIP OF BESSEMER

Year ended March 31, 2004

	Trust & Agency <u>Fund</u>	Tax Collection <u>Fund</u>	<u>Totals</u>
Assets-cash	- \$	\$84,085	\$84,085
	\$	\$84,085	\$84,085
Liabilities:			
Due to Township	\$	\$2,447	\$2,447
Due to County		15,426	15,426
Due to Schools		366	366
Due to Others		65,846	65,846
	\$	\$84,085	\$84,085

The accompanying notes are an integral part of the financial statements.

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
TAX FUND

TOWNSHIP OF BESSEMER

Year ended March 31, 2004

	<u>Balance at March 31, 2003</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at March 31, 2004</u>
Assets-cash	\$16,990	\$1,261,130	\$1,194,035	\$84,085
Liabilities:				
Due to Township	\$2,669	\$235,009	\$235,231	\$2,447
Due to County	2,998	411,444	399,016	15,426
Due to Schools	2,331	546,703	548,668	366
Due to State	8,992		8,992	
Due to Others		67,974	2,128	65,846
Due to Individuals				
	<u>\$16,990</u>	<u>\$1,261,130</u>	<u>\$1,194,035</u>	<u>\$84,085</u>

The accompanying notes are an integral part of the financial statements.

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Supervisor and Members of the Board
Township of Bessemer
Ramsay, Michigan

We have audited the financial statements of Township of Bessemer as of and for the year ended March 31, 2004, and have issued our report thereon dated July 21, 2004. We conducted the audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Township of Bessemer's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing the audit of the financial statements of Township of Bessemer for the year ended March 31, 2004, we considered the internal control structure in order to determine auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

The management of Township of Bessemer is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projections of any evaluation of the structure to future periods are subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in my judgment, could adversely affect the entity's ability to record, process, summarize and report financial data consistent with assertions of management in the financial statements. Reportable conditions noted in our review are as follows:

1. The Township did not perform an inventory of general fixed assets to assure existence, condition and valuation required by Michigan Uniform Accounting System. The Township lacks knowledge as to all of its actual holdings.

The Township needs to establish an accurate general fixed assets listing; assure that proper valuation is assigned and are adequately insured against various types of losses.

2. Collections of various utility funds were not segregated as to there billing source requiring journal entries upon audit to correctly reflect appropriate revenues by fund. The Treasurer and Clerk should periodically review the various funds financial statement to determine if recorded revenues appear to be complete and accurate and are in agreement with adopted budgets.

A material weakness is a reportable condition in which the design or operation of one of more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We consider the above items not to be a material weakness. We noted other matters involving internal control elements over financial reporting and its operations that require corrective action.

1. The Township had cash and investments on deposit that exceed the FDIC insurance coverage should a loss be experienced. The Treasurer should be instructed to research terms with other local banking institutions in reducing the risk element. Furthermore, whenever possible, cancelled checks should be returned to the Township in providing proof of payment and to assist the audit effort.
2. In adopting the General Fund budget, the beginning Fund Balance was substantially understated, not allowing the Board or the General Public adequate information. Furthermore, our review of budgeted amounts against actual expenditures, identified budget overruns as identified on pages 10 & 11. Public Act 621 as amended provides guidance on amending budgets prior to incurring cost to avoid cost overruns. Also, the Township Board did not adopt budgets for the Park Fund as required.

The Township Board and Supervisor may want to review Public Act 621 to ensure future compliance.

3. The Township should keep various important documents, cash collections, certificates of deposits, etc. in either a locked fireproof safe or safety deposit box. Presently, the Township lacks adequate security to prevent exposure to various types of losses.
4. Insurance costs should be allocated to the various utility funds based upon actual insurance coverage and related costs.
5. The utility billing software, which operates under DOS operating system, is outdated and can no longer be adequately supported by the vendor. Numerous billing features and errors were noted in our review. Since the Township has already procured another software billing program, we would recommend implementation of the new program immediately to provide for accurate billings and records.

This report is intended solely for the use of management and should not be used for any other purpose. This restriction is not intended to limit the distribution of this report, which, upon acceptance by the Members of the Board, is a matter of public record.


Roger J. Kolehmainen PC
Certified Public Accountant

July 21, 2004